

## By Invitation:

### Business ethics – acting responsibly is a crucial line of defence

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With corporate leaders under ever-increasing scrutiny, securing a good corporate reputation can come down to an effective corporate responsibility programme

It's life under a magnifying glass today for companies and their leaders. No ethical lapse, moral misstep, or other corporate misdeed – real or perceived – goes unnoticed.

CEO and corporate behaviour is watched, critiqued and communicated around the world at breakneck speed by everyone from early morning news anchors and newspaper columnists to bloggers and whistleblowers.

With a single keystroke, people now have the power to damage the reputation of a company and its leadership. Reputation failure is no longer a threat that only looms large for companies in high-risk industries and activities.

A 2006 Weber Shandwick proprietary analysis has revealed that 33% of the Global Fortune 500 – the world's largest companies – experienced reputation deterioration in their "most-admired" status from the previous year.

This higher rate of reputation loss has prompted boards and CEOs to ask how they can best guard their companies against extended reputation damage. One way is by launching a substantive, long-term and effective corporate responsibility programme, and communicating its accomplishments internally and externally.

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### Protecting a good reputation

As part of its Safeguarding Reputation survey of 950 business executives in 11 countries, Weber Shandwick, with KRC research, explored the relationship between corporate responsibility and reputation management, and revealed the extent to which corporate responsibility can shield a company against reputation damage.

Although corporate responsibility is not a sure-fire way to build an impenetrable reputation, it is one important step to arming a company for the future.

Consider the following survey findings:

- Approximately one-third report that it is likely their company will sustain reputation damage in the next two years.
- The vast majority (79%) report that companies with strong corporate responsibility track records recover their reputations faster post-crisis than those with weaker records.
- Nearly one-half believe that good community relations and recognition for responsibility are important reputation defences before a crisis strikes. Executives in Asia-Pacific (56%) are even more likely than those in North America (45%) and Europe (48%) to believe that corporate

responsibility serves as protection before problems arise.

- More than seven in 10 (73%) report that effectively communicating a company's responsible programmes and policies helps reclaim a lost reputation. This finding shows that for companies whose focus on social responsiveness begins post-crisis, being known as a good corporate citizen helps them more easily recover after a crisis strikes.

While the important take-away from this research is that responsibility matters, it is equally important for companies to understand the commitment behind sustainability.

Corporate responsibility is not only a bandage to be used when injury appears. It must be a wholesale change in the way companies manage their business to benefit society.

*Leslie Gaines-Ross is chief reputation strategist at Weber Shandwick.*

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